



International Agreements Committee

Corrected oral evidence: UK-New Zealand trade negotiations

Wednesday 27 April 2022

11 am

Watch the meeting

Members present: Baroness Hayter of Kentish Town (The Chair); Lord Gold; Lord Lansley; Baroness Liddell of Coatdyke; Lord Morris of Aberavon; Lord Oates; Lord Razzall; Earl of Sandwich; Lord Udny-Lister.

Evidence Session No. 5

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Questions 56 - 67

Witnesses

I: Lord Grimstone of Boscobel, Minister for Investment jointly at the Department for International Trade and the Department for Business, Energy & Industrial Strategy; Matthew Davies, Deputy Director, Chief Negotiator, New Zealand FTA, at the Department for International Trade; Ian Shepherd, Policy Director, Goods, Regulatory Environment and Gulf Cooperation Council at the Department for International Trade.

Examination of witnesses

Lord Grimstone; Matthew Davies; Ian Shepherd.

Q56 **The Chair:** Good morning. This is a meeting of the International Agreements Committee, and we are delighted to see the Minister and his colleagues with us today. Lord Grimstone, I gather this is the first time we are actually seeing you in person and have a little more of you than just your head, so welcome to you. I understand your colleague who was expecting to be here has been hit by Covid, which is a reminder that it is still around, but please pass on our best wishes. Before we start, would you like to just introduce your two colleagues who are here?

Lord Grimstone of Boscobel: Yes, thank you very much, Madam Chair. I am joined by two colleagues today: Matt Davies on my left and Ian Shepherd on my right. Matt is the chief negotiator for our New Zealand FTA. James Clarke, who you kindly referred to, is our deputy chief negotiator—Vivian Life having retired—and is unfortunately unable to make today's session because not just him but one of his family is suffering illness at the moment. In the absence of James, I am very pleased to have with me Ian Shepherd, who is one of the policy directors in the department's trade negotiations group.

The Chair: Thank you for that. We will introduce ourselves as we go around; I am Dianne Hayter, Chair of the committee. Minister, perhaps by way of opening you would just like to say a few words before we ask the questions we have for you.

Lord Grimstone of Boscobel: Yes, certainly Madam Chair.

The Chair: I should say, obviously this is being broadcast. There will be a record of it and I know Ministers never want to alter what they say, but should you want to correct it there will be a *Hansard* record.

Lord Grimstone of Boscobel: That is very kind of you. Good morning, everybody, and thank you for inviting me here today. As Madam Chair said, this is my first time in two years that I have actually appeared physically in front of this committee, so it is very nice to see everybody in person.

This is the beginning of the end of a long journey we have had with these two FTAs. We last spoke about the Australia and New Zealand FTAs on 13 January and, as the committee knows, we have since signed the New Zealand FTA on 28 February, which built on the progress made by the December signing of the Australia FTA. I do feel that the Australia and New Zealand free trade agreements are comprehensive and modern agreements. Both agreements would eliminate tariffs on 100% of UK goods, remove trade barriers on a huge range of UK services and provide new opportunities for British businesses. Providing opportunities is of course one of the key objectives of our trade policy and the deals will deliver benefits to people, businesses and communities throughout the country, supporting the levelling-up agenda.

The New Zealand agreement is expected to increase trade with New Zealand by almost 60%, boost our economy by £800 million, and add £200 million to household wages in the long run. The Australia agreement is expected to increase trade with Australia by 53%, boost the economy by £2.3 billion and add £900 million to household wages each year in the long run. I am particularly proud of the ambition that was shown by ourselves and the counterparties in areas such as the environment, gender equality and development, and that we have been able to focus on promoting the interests of small and medium-sized enterprises across the agreements.

The agreements break new ground in a variety of ways. The Australia FTA contains the world's first dedicated innovation chapter. This facilitates unprecedented access for British services and investors, and also—I think this is important—creates unrivalled opportunities for UK professionals to work in Australia. The New Zealand FTA contains a consumer protection chapter, the first of its kind for the UK, which highlights the importance of consumer welfare and trust, world-leading services and investment commitments, and the most ambitious environment chapter that we have seen in an FTA. These two deals are a win-win, not my favourite phrase but I think it is appropriate here, for the UK, Australia and New Zealand. We have there like-minded democracies which also believe in free and fair trade. They are a powerful statement of our shared values and a demonstration of how we do, and will, partner together in tackling the shared challenges our nations face, including confronting unfair trading practices and upholding the global rules-based system.

These deals also pave the way for the UK to join Australia and New Zealand in the Trans-Pacific Partnership. As Noble Lords know, that is a free trade area with a combined GDP of more than £8 trillion, made up of some of the Pacific's most dynamic economies. We reached a major milestone in the negotiations on the accession process in mid-February, and we are now in the process of beginning market access negotiations with the partnership.

I know how important parliamentary scrutiny is, not just to the committee but also to myself so, just to conclude, we are in the process of preparing the agreements for parliamentary scrutiny. In the case of Australia, you received an advanced copy of the TAC report before its publication on 13 April and I believe you are seeing the TAC chairman later today. The TAC concluded that the FTA did not require the UK to change its existing levels of statutory protection in relation to animal or plant life, or health, animal welfare or environmental protection. On the contrary, it shows that the FTA contains environmental and animal welfare obligations that require the UK to maintain its statutory protections in these areas.

As always, lots to talk about and I am very much looking forward to our discussion today. I thank you all very much again for inviting us to attend.

Q57 The Chair: Thank you for that. We are obviously interested in other

issues as well as Australia and New Zealand, but as you have mentioned those and there are services involved, I would just like to declare that I serve on the board of the Association of British Insurers.

Could I start with something slightly more topical? I just wonder if you could provide an update on the very recent—I think on Monday and possibly Tuesday of this week—US trade dialogue that has been taking place in Aberdeen and tell us something about the aims and likely outcomes of that discussion?

Lord Grimstone of Boscobel: Yes, certainly, Madam Chair. The UK and US trade dialogue first launched on 21 March, and we see these discussions as a key part of creating our shared approach with the US, which will allow us to advance trade policy that will help us all build a fairer, freer and greener global economy. Perhaps I should just mention in passing that they were more trade negotiations rather than FTA negotiations as such, but I realise that as this is the International Agreements Committee, trade in these dialogues is of importance.

As you rightly say, on 25 and 26 April this week, the second event in the dialogues took place in Aberdeen. This event was attended in person by the International Trade Secretary and the US Trade Representative, and we really feel that the UK and the US built on the areas of broad agreement that we had identified in the earlier discussions in Baltimore in March. The particular work streams discussed at the dialogue were digital and innovation, SMEs, green trade, supply chains, levelling up and worker-centric trade—all areas where there is a lot of common ground between ourselves and the US. I was very pleased that the Aberdeen dialogue convened leaders from across Scottish central and local government and a point that the committee might want to come back to later is the role of the devolved Administrations in these agreements. A wide range of businesses and, completely and utterly appropriately, a good range of trade unions and civil service groups and the TUC itself were represented at the talks. I am told that the mood was very positive, very friendly.

Although these dialogues in themselves are not producing a free trade agreement, they do provide an extremely good foundation for further engagement with the US and the hope is that they will help us build consensus across a range of issues with the US and then out of that consensus we may find that a free trade agreement—maybe on a chapter-by-chapter basis—will grow out of these dialogues into something permanent. If the committee would find it helpful, I am very happy to keep you updated as those dialogues progress.

The Chair: I am sure the committee will be interested but, whether by intention or not, you have waded into a really interesting area. You said we might want to look at the role of devolveds in these sorts of agreements, and you used the word “agreements”, but we are not actually the treaty committee, we are the agreements committee. It is not your department, but you will have known and seen the dialogue about the UK and Rwanda, where something that looks to us like an

agreement is being called a memorandum of understanding and is therefore not covered by CRaG.

In discussions with America, if agreements are going to be reached—which you do not call a free trade agreement but nevertheless are agreements—there are some interesting issues about how they will come to Parliament; or if there were any agreements, maybe with a small A, with individual states within America. Could you comment a bit about how you see where there is a government-to-government agreement, or even a government-to-a-particular-state agreement, why that should not still be pertinent to this committee and indeed to Parliament?

Lord Grimstone of Boscobel: Thank you for that. As you know, Madam Chair, I am not a great one for hiding behind weasel words, sometimes to the consternation of my officials, and both you and I would feel that if something looks like a duck, walks like a duck and quacks like a duck, it probably is a duck. Having said that, in a sense, the parent body of this committee is the FCDO, which no doubt has a view to all sorts of precedents in relation to this and that if it gives ground in one way, does that mean it will have to give ground in other ways?

As far as I and the trade department are concerned, we are always very happy to have dialogues with this committee. Generally speaking, I do not like resting on a legalistic position because I think that goes against the spirit, frankly, of this House and of parliamentary scrutiny but, if I may, I will not commit myself to anything specific on any of these agreements until they actually emerge and we see what they are.

The Chair: What a shame, we like getting early commitments from you. Let us move on to Baroness Liddell.

Q58 **Baroness Liddell of Coatdyke:** Thank you very much, Chair. As is inevitable with a lot of these agreements, both agreements for Australia and New Zealand contain provisions for which the impact on the UK at this stage is uncertain, such as to what extent Australia and New Zealand will use the tariff rate quotas—TRQs. Could you give us some indication of how the Government will monitor the implementation and the impact of the agreements and what would be required to promote any change in the agreement at this point to, as we say, improve the performance of the deal?

Lord Grimstone of Boscobel: Yes, certainly, and I may bring my two colleagues in to speak specifically about their agreements. In practice, all free trade agreements are living agreements, where, over time, things come to light, matters move on, and it is absolutely appropriate to have a mechanism, as we have in these agreements, that they can be discussed. There are formal review points in both these agreements, as is commonplace in agreements of this sort.

I would say we are fortunate with both Australia and New Zealand that because we are like-minded—that is an easy phrase to use, sometimes it does not mean very much, but I do think in the case of these two

countries we are like-minded—our approach to this is the same, so I am not expecting any great disagreements to come out of these review periods. It is obviously right that we look at this agreement once it has been working for a while and we have mechanisms to adjust it. In some instances, of course, those mechanisms may be of such import that they materially affect the agreement and then there is absolutely a matter which this committee, I am sure, would want to be interested in.

Can I ask perhaps Matt, to come in first on Australia and then Ian to come in on this?

Matthew Davies: Yes, exactly as the Minister has said, there are a range of mechanisms through which we will be trying to track the use and the impact of the agreement. Within the New Zealand agreement, and it is true for Australia as well, we have a number of institutional provisions that will be used to engage with New Zealand, and we will be using those to assess the functioning of the agreement. There is a built-in review clause that covers the whole agreement—I think it is seven years for both New Zealand and Australia—and then underneath that, as part of the outcome of the agreements, there are a whole series of collaboration and information-sharing provisions as well, which we see as benefits in and of themselves but they will also provide information as to how certain aspects of the agreement are being used. As an example, you referenced the tariff rate quotas in your question. For Australia, we will have the ability to do the administration of these on a licensing system so we will be tracking information in real time. For New Zealand, we have agreed a transparency mechanism whereby New Zealand will have to provide us certain information on the use of those quotas, again, in real time. The variety of information and engagement will vary depending on the provisions, but we feel there are quite a lot of mechanisms built into the agreement.

The other thing that the department is committed to do for both Australia and New Zealand is to build on the work of the impact assessment so five years after entry into force, we will undertake a post-entry into force evaluation, so a broader piece of stepping back and trying to assess the wider impacts, which are perhaps a bit harder to unpack than some of that real-time data but still equally important. We feel through all of that we have quite a suite of mechanisms through which we can understand what is happening and indeed will place us alongside our business engagement work and the work of other parts of the department, which will be seeking to make sure there is full utilisation of all the benefits of the agreement on both sides.

Ian Shepherd: Just to add a little more on that, the administration point on the Australia TRQs means we will see what is happening in relatively deep detail in terms of what is coming in and we can monitor what is happening there. Matt was talking about what is in both Australia and New Zealand; coverage of the evaluation point applies after five years for both countries, when we will come back with information on how the FTA is being used and the effects of it. There are also committees—an animal

welfare committee, for example—built into the agreement, where you can have a dialogue between the UK and Australia on that topic. There are lots of ways in which you can use the free trade agreement to have discussions with the other party, whether it be Australia or New Zealand, as well as ways in which we can see what is happening in terms of the effects on the UK economy and other factors.

The Chair: Thank you. Will you publish this?

Lord Grimstone of Boscobel: Publish what, Madam Chair?

The Chair: The monitoring that is going on.

Lord Grimstone of Boscobel: A lot of the monitoring will be day to day and immaterial. I am sure if the monitoring produced things which were of material importance, we would communicate that in one way or the other to the committee. I do not think will be giving a running commentary month in, month out, but the formal reports will be published in due course when they are done. Was it the two-year and the five-year point?

Ian Shepherd: Yes, the five-year evaluation report is a commitment to publish.

The Chair: We may want a bit more. The point of monitoring is whether you are going to take any mitigation when you are seeing it and actually, in five years' time, if you have not done any mitigation, it will not be terribly useful. Maybe we could continue a dialogue about how we can get things.

Ian Shepherd: Just to reassure members of the committee, there will be. For instance, on the TRQs, we are not waiting five years to see what is happening in year one because, in administering the TRQs, we are going to be seeing what is happening in much more real time than that. Indeed, there are mechanisms in the treaty whereby we will actually be using some of that information as a result of clauses in the treaty. In terms of how we will be working with the treaty, it is definitely not a case of leave it be and come back in five years. The information will be received in much more real time.

The Chair: Maybe just lodge that we would like some of that to be shared with us.

Lord Grimstone of Boscobel: I will be very happy to update the committee when we have our regular review sessions where we look at the whole ambit of free trade agreements as to what is going on.

The Chair: That would be helpful. Lord Sandwich.

Q59 **Earl of Sandwich:** Thank you very much, Chair. Minister, you have anticipated the question on the DAs and here I am ready to present it, because we shall always be concerned about them.

We all know tariffs are a reserved matter, but any market liberalisation

can, or is likely to, have a disproportionate impact on the DAs and details were not shared from the beginning. The Scottish Government point out that impact assessments are simply not detailed enough. They do not amount to full consultation given the levels of liberalisation. Perhaps you could comment on what is going to happen in the future because it does not seem good enough to us.

Lord Grimstone of Boscobel: Yes, certainly, and I do realise the importance of the point. As you yourself have noted, international trade is a reserved matter, but of course it is right and proper to recognise that modern trade agreements increasingly interact with areas of devolved competence, so it is a bit of a mix and match in terms of reserved matters and non-reserved matters. Of course, this gives the DAs a significant interest in international trade policy and that includes goods tariff lines, and we do work closely with them to deliver negotiation objectives in goods that reflect the interests of all nations within the UK. I know that people sometimes wonder whether we are working closely enough, but as I see it there is close contact. I suppose in a sense you could say, "Why wouldn't we want to do that?"

I reported to the committee before that we have created engagement structures at all levels to try to ensure a constructive approach to working with the DAs; it is called the quarterly Ministerial Forum for Trade. There are regular bilateral ministerial meetings. When an FTA is running along, every six weeks the goods team meet the DAs to discuss negotiation objectives across the FTAs. We have regular calls with senior negotiators from each FTA team in parallel with negotiation rounds, and this naturally exaggerates in the run-up to agreement in principle and the signature of the agreements.

But it is absolutely right that we do not share detailed tariff schedules in chapters because we consider those to be reserved areas, particularly in relation to goods, but also because these tariff schedules are subject to change. In some ways they are the meat of the negotiation. They are highly sensitive in the early stages of the negotiation and there are cards in our hand there, so it is right and proper that we hold them very close to our chest. We do recognise the importance that the DAs attach to this, and we have been working hard to share written summaries with them which give a more detailed overview of negotiation objectives. We always encourage their detailed comments and will continue to do so. I suspect it is one of those things where we are never going to completely satisfy them, but we will continue to do our best to do that because there is nothing in it for us—to put it crudely—in not doing that, but not in such a way, and I am sure the committee would not want us to do this, which jeopardised the overall negotiations.

Earl of Sandwich: From what you have said, if you are not going to alter the impact assessments, does that mean that you might provide the information on a more regular basis but outside the impact assessment?

Lord Grimstone of Boscobel: We do the impact assessments at the beginning. We do think that we have to do more work in the public

impact assessments to give a more detailed picture of the potential impacts of trade agreements on the devolved nations. We did a review of our modelling techniques, and our analysts are now considering how they can improve the analysis of impacts of FTAs on the nations and regions of the UK. This would include how we can analyse subnational impacts, to better account for, for example, supply chain and labour market interlinkages, but I have to say that this modelling, in its nature, is not very good at the granular level and the more granular you become, the less relevant it is. But it might be interesting for the committee if I can turn to New Zealand. Matt, could you give a flavour of the kind of interactions you had with the DAs?

Matthew Davies: Yes, so just to unpack the lived experience of that regular engagement, we are trying to balance the line between protecting the negotiation and keeping the officials and the devolveds fully involved at a working level. From about June last year all the way through to the agreement in principle and signature, either I or my deputy had weekly meetings with DA officials. Every Thursday, I think, at 11 am, a standing feature in my diary was to have a session with the relevant officials from the devolveds, and I used that as an opportunity to keep them as fully involved and in the loop of the negotiations as I could and was always very clear about what their particular agenda and objectives were for the negotiation. As the Minister said, because of the way that negotiations always seem to work, with market access offers being the very last thing to be settled, we could not reveal the full hand to them, but, in that dialogue we could have a pretty open and honest engagement about what was going on.

To be fair, that was probably one of the groups of stakeholders that I have met most regularly to talk about some of the issues at hand over the course of managing this negotiation. We are trying to manage a balance but, certainly over the time I have been involved in the department and worked on negotiations, we have just really stepped up and increased that working-level engagement and tried to manage that boundary.

The Chair: We need to move on to Australia in a moment, but I know there are two supplementaries. I wonder if we could take those two and then you respond to the two of them together. The first is from Baroness Liddell and then Lord Morris.

Baroness Liddell of Coatdyke: Thank you. I am afraid the picture that we are getting from the devolved Administrations is one of complete frustration with the process. Devolved Administrations can do that as part of a political agenda, but, frankly, if you see where there is both a reserved interest and a devolved interest—agriculture is the most obvious one—it is in everybody's interest to try to get some kind of agreement going forward.

It is very much a different picture from what we are hearing from the devolved Administrations that we are hearing from you. You know Scotland probably as well as I do, and it is not a good position to be in. I

would urge that you look hard at what more can be done.

The Chair: Perhaps we could have Lord Morris, because the Welsh may be saying similar things.

Lord Morris of Aberavon: Over the years, we have had repeated assertions by the devolved Administrations that some matters are too delicate to be fully disclosed and we do not hear exactly what their views are. One of you said you are pretty open and honest—are you satisfied that the devolved Administrations are happy with the relationships? It is quite an artificial distinction between what is reserved and what is not reserved, when agriculture is reserved but the repercussions for the devolved nations are enormous. I happen to be going down to Cardiff on 11 May for an important ceremony as the senior surviving Secretary of State and I will be asking them then whether they are satisfied and content. You must admit we are on a learning curve here and I hope the learning curve continues, but are you satisfied that they are satisfied?

Lord Grimstone of Boscobel: I can say categorically that they are not satisfied because the dissatisfaction manifests itself in all sorts of ways. But the point that Baroness Liddell made is important, that it is not always easy to distinguish what you might call the quite proper politics in this between the substance of this. Certainly, as I see it from the inside, in terms of the interaction that my officials and my ministerial colleagues have, there are close interactions and those meetings always tend to be positive, friendly, give and take, information exchanged, but I suspect it may never be possible to satisfy them for as long as trade negotiations are a reserved matter. I understand that it puts the committee in a difficult position because you have me sitting here, not quite saying that everything in the garden is rosy, but painting an optimistic picture, and then you hear from the DAs that they are not satisfied. All I think I can say is that we will continue to work very hard at this. It is not in our interests that they are dissatisfied, but I suspect that the realpolitik of this is that it may be impossible to keep them completely satisfied. That does not mean we should not continue to try and that the committee, with all due respect, shall continue to push me on this each time that we meet to discuss it.

The Chair: I think I can promise we will do that. Thank you for that. Lord Oates.

Q60 **Lord Oates:** Thank you very much. I wonder if I could turn to the environment. Chapter 22 of both the New Zealand and the Australia FTAs deal with the environment and it is quite striking how different they are. We have heard a lot about the fact that there is no specific reference to the Paris Agreement temperature goals in the Australia version of that chapter and much of the language about the urgent threat of climate change is entirely absent, but it goes far beyond that. There are references in the New Zealand FTA to eliminating fossil fuel subsidies, working towards carbon pricing, trade, environmental goods and services, and so on. Can you tell us, is it up to our negotiating partner in trade agreements to determine how ambitious we are on climate, or can we

hope that in future trade agreements the British Government will hold out more firmly for specific commitments?

Lord Grimstone of Boscobel: Thank you. Again, if I may say, it is a very good question. It is important we remember that these agreements are always different from each other. We are looking at these two together and saying, "Oh, the Australia and New Zealand FTAs", but these are two different countries, two different sets of negotiators and two different sets of objectives. Our underlying position is to be very strong on climate. As part of my preparation for today, yesterday evening I read through the evidence which the Australian high commissioner gave to the committee just a couple of months ago. I have to say, I thought he dealt with the climate point very well—maybe not to the satisfaction of every member of the committee, but I thought it did come across in his testimony that Australia takes this very seriously. The Australian agreement does reflect its commitment to the Paris Agreement, which of course is the underpinning of all of this, and having read his testimony, I was left in no doubt to the importance that they took.

Different teams of negotiators attach different priorities to things and, frankly, if we approach these negotiations by saying, "This is our template, this is what we insist you sign up to, whether you are Australia, New Zealand, Canada, Mexico or what have you", we would not get very far in the negotiations. We deal with these case by case, but it is absolutely right and proper that underlying that is a very clear view that we have that climate is one of the most important topics that we cover in this, and in each case we should seek to agree and negotiate the most ambitious statements that we can.

Again, the committee might find it interesting if I turn first of all to Ian on the Australia side and then Matt on New Zealand, just to give a bit of a flavour as to how the negotiations actually went in these two areas.

Ian Shepherd: Absolutely. There is some important stuff on the environment in the Australia deal. For instance, on the tariff side, you have tariff reductions for UK exports of wind turbine blades and electric vehicles; there are also important clauses on strengthening co-operation on areas such as the circular economy and sustainability forest management. You also have Australia signing up to the Paris Agreement, which contains the 1.5 degree temperature goal, so it is there via that commitment. Within the Australia deal itself, there is ambitious stuff on the environment.

Lord Oates: Thank you. Could I just come back to this? There will be different views between us, and indeed within this committee, on how well the outgoing high commissioner dealt with that, but what there is no question about is that the Australia free trade agreement is much less ambitious on climate, in terms of language and of specifics. There may be some specific issues around tariffs on various things, but, in terms of commitments, would you agree that the environment chapter in the Australia FTA is much less ambitious than the one in the New Zealand FTA?

Lord Grimstone of Boscobel: I completely agree that they are different and that they reflect each country's view of the relative priority that it attaches to aspects of climate. With due respect, I do not think it is for me to comment on the domestic policies and the underlying position of both those countries. At the end of the day, these agreements do reflect the position in each individual country and the agreements that we end up with are what we are able to negotiate with each individual country to be as positive as possible, but you have to reflect the political situation.

I do think that Australia has moved a long way on this. Some of the commitments Australia has given recently on climate have been very welcome. At COP 26 it gave some strong commitments on climate, but it is different from New Zealand, as you would expect it to be, in the same way that you would expect it to be different from Canada, Mexico or anywhere else. I do not think it is possible to change countries' underlying positions on some of these things through the negotiation of free trade agreements. At the margin one can, but, with all due respect, it is slightly unrealistic to think that a team of negotiators can necessarily change a country's settled views. I think that perhaps you had an easier job on New Zealand.

Matthew Davies: Well, yes. One of the ways of measuring success in trade agreements is partly about where you end up, absolutely. Another measure is how far you have actually moved countries past their precedent and, yes, in that respect we had a slightly easier job with New Zealand in the starting position. With Australia though, there is a really big precedent move, which is it has included a climate change article in the environment chapter for the first time and the UK should take that as a very big victory. With New Zealand, because we had this higher starting place, it was in the interests, and a shared aim, of both partners to use our environment chapter to then try to push the margins even further and that is something you saw in our bilateral partnership; it is also useful when reflecting back into the ongoing relationship with Australia and other future partners. With the New Zealand deal, Sam Lowe came here and said he thought it was about the ceiling of what you could achieve in an FTA, and that was certainly our ambition. That is what we will now be using to continue and influence FTAs, including through the inbuilt dialogue mechanisms that we have with partners such as Australia as well.

The Chair: Thank you for that. Can I go again to Lord Morris?

- Q61 **Lord Morris of Aberavon:** As a lawyer, I am interested and guided by precedents. We have had repeated concerns from farming organisations and the devolved Governments that others with whom we will negotiate would seek similar levels of market access. I am concerned at the cumulative impact on the UK of these agreements. How are the Government, in their negotiating stance, planning to balance safeguards for UK agricultural producers on the one hand and concessions to significant agricultural exporters on the other? Could we be treading into the unknown?

Lord Grimstone of Boscobel: Again, without repeating what I said earlier, every negotiation is bespoke and because something has been agreed, conceded or won in one particular agreement does not in itself change what is going to happen for future agreements. I do think the advent of the TAC is a very important safeguard for making sure that there is not—perhaps using my own words rather than yours—mission creep in this, because, whenever it does its investigations, the TAC is taking this back to ground zero, as it were, as to what will be the impact of these agreements. I would guess that it is not going to be moving its position to take account of precedent, although this is a matter you may want to discuss with its chairman. It is going to approach this properly, analytically, objectively and intellectually, agreement by agreement. If there were mission creep and we started to take matters which we treat very importantly as less important, and there is no sign that we are going to do that, there are enough protection mechanisms to catch us out. But this will never become a case that precedent rolls on from agreement to agreement.

Lord Morris of Aberavon: Thank you. On mission creep, how can we be assured that other negotiators will not take advantage of any concession which has been made now?

Lord Grimstone of Boscobel: First of all, I can give you an assurance that we do not approach this from the basis of mission creep. The eagle eye—which is your committee, Madam Chair, the ITC and scrutiny—stops us doing that. But we have no ambition to do it because we believe in what we are doing. It sounds trite, but we really do believe in striking the best deal for the UK that we possibly can in these agreements. When I say the UK, it is every aspect of the UK, including farmers, who are very important component parts of these agreements.

The Chair: Thank you. Lord Razzall.

Q62 **Lord Razzall:** Can I move us onto the slightly more technical issue of geographical indications in the Australia agreement? As we know, the agreement says that if Australia does not introduce a GI scheme within two years, then both parties will review and hold discussions. Now, I would not expect you to agree with the National Farmers' Union, which said it thought this was a missed opportunity, but I would be interested in your views as to how you will go about monitoring this and ensuring that Australia does introduce a geographical indication scheme.

Lord Grimstone of Boscobel: I suppose the starting point for this is that Australia, up until now, does not like GI schemes, let us be straightforward about it.

Lord Razzall: No, that is the concern.

Lord Grimstone of Boscobel: Yes, it is a concern. Now, it may not seem a very big thing, but this is the first time ever in an agreement that Australia has accepted the possibility that it may set up GI schemes to

protect spirits or agri-foods in FTAs or agree to a review if it does not establish a scheme within two years.

Lord Razzall: What happens if it does not at the end of two years?

Lord Grimstone of Boscobel: It could be a damp squib. Let us be straightforward about it.

Lord Razzall: The NFU will then be proved to be right.

Lord Grimstone of Boscobel: Yes, but the Australians believe that rather than using GIs they use it through their IP protections and their trade market protections, and that is the way they choose to look at it. If one looks through the toing and froing of this and looks at the underlying position: are our goods protected in Australia? I do not think any of us would feel that Australia is a rogue market when it comes to this. Of course, if it had signed up to a GI scheme it would be nice and it would be tidy and it would be easier for me to sit here justifying it, but two years from now, we might all be pleasantly surprised on this.

Lord Lansley: I would just like to join in on that if I may. One of the striking positives is that we have managed to conclude a deal with Australia, whereas the European Union has not concluded a deal with Australia. But in this particular respect where GIs are concerned, we seem to have concluded a deal because we have said, "Well, we will wait and see what the EU deal leads to", so we are still tied to that. Could we not have anticipated that? In fact, Australia actually conducted a review last year and looked at GI because of the EU negotiations; could we not have pressed that? Clearly, the British agricultural and food industry thinks it is important, so should we not have made it part of our quid pro quo?

Lord Grimstone of Boscobel: First of all, I do not think that we, in a sense, tied to the EU. What we are saying, in effect, is that if the EU is able to agree a GI agreement with Australia, that in itself will trigger a requirement for Australia to come to us and to do something similar with us. It does not tie us to it; it is a kind of door opener. I have no insights, but I might ask my colleagues whether they have any insights as to how likely it is we are going to find that Australia ends up doing a GI deal with the EU. But let us look through, if we can, to the substance of this: are British goods protected in Australia through trademarks and IP? My strong assertion is that they are. Ian, did you want to add to this?

Ian Shepherd: Yes. I do not have an inside view on what the EU is agreeing with Australia, but what I can say is we pre-empted the review that you have referred to by agreeing with Australia already how systems and standards of protection of GIs should function. This includes keeping transparency at the heart of the procedures for recognition and protection of GIs, and that will ensure that we keep operating fair systems. In the meantime, we are not just also doing nothing.

Lord Lansley: I am not sure that answers the question as to why we

could not have pushed harder to get a quid pro quo. Clearly it was not insignificant from our food and agricultural exporters' point of view. This is a deal which gives Australia significant additional market access to us. With the greatest respect, the Australians agreed that trademarks were not sufficient for wine so they established a new scheme. If it was not sufficient for wine, why would we not press? What do we have, 20-something significant products that we would want to have protected?

Lord Grimstone of Boscobel: We pushed extremely hard, but the Australians did not agree with us. It was not for lack of pushing. It was a lack of agreement on the other side.

Lord Lansley: The conclusion I would draw is not that protection in Australia is sufficient.

The Chair: Yes, and the fact that it did not give way shows actually how important it was.

Matthew Davies: If I may come in as well, some of this is about the balance of the negotiation dynamic. Yes, there are a small number of GIs that are important to agricultural producers in this country. There are thousands across the EU. Australia will be looking at it from that perspective. I suppose we could have changed our calculation in terms of the overall deals for both Australia and New Zealand, because this issue also applies to New Zealand, not for spirits but for agri-foods. There may have then been a consequence in the wider deal balance and what we were having to move on for on other areas of the deal. We have ended up with two things: one, for both Australia and New Zealand, we have secured 100% tariff elimination of UK goods, including agricultural goods, going into Australia and New Zealand, so that gives us a comparative advantage over EU exporters. Two, we have locked in for at least a two-year time period this mechanism that if New Zealand and Australia reach a deal with the EU that does then offer agri-food protection on GIs, we will not fall back, so we will not be a disadvantage to the EU in that situation.

We have, we think, gained an advantage and protected ourselves against a future disadvantage. As the Minister says, we could ultimately have come to a different balance of decision-making, but that in itself would have read across the overall balance of the trade agreement. That was a decision that negotiators and Ministers ultimately had to weigh up, particularly bearing in mind that both Australia and New Zealand are in active negotiations with the EU, where this will be an even bigger issue than it is for us.

The Chair: Thank you. Lord Sandwich.

Q63 **Earl of Sandwich:** We can deal with this quite quickly because I know we have more to cover. Minister, we picked up just one point in the TAC report, which obviously will need further consideration, about the joint committee set up under the FTA. The quickest thing is if I quote from the TAC report, which says that through the joint committee "The UK is able

to adopt decisions ... that may constrain its freedom to regulate in the future". Elsewhere, it covers pesticides and deforestation, showing that there may be things coming down the line that we do not like but we cannot do anything about them in the joint committee. What do you feel? Are we going to have trouble with the parliamentary process? How do we deal with that?

Lord Grimstone of Boscobel: Perhaps we should not jump into being suspicious about the joint committee process before it has had a chance to show itself. The TAC committee has made this point, and we will be responding to the TAC committee in the round, so perhaps this committee will excuse me if I do not pick up that point specifically in the TAC context. But, if I deal with it outside the TAC context, as it were, as I said earlier, if discussions in that joint committee ever ended up in the treaty being materially or significantly amended, or if they resulted in a new treaty, that would necessarily retrigger the CRaG process, coming back to the point that Madam Chair was making earlier.

I am not having sleepless nights, thinking that the joint committee is going to be rewriting this agreement, because the agreement was reached by both parties in a very good spirit, with both countries acknowledging that it was a good agreement. We ought to keep in the back of our minds that both these agreements are good agreements for the UK. With due respect to some of the questions I have been asked, there may be items in these agreements that people wish had been done differently or better, but we should take a step back and ask, "Are these good agreements for the UK?" I would still rest my case, saying I do believe that these are good agreements in both cases for the UK.

Earl of Sandwich: Okay, well, we may come back to this later.

The Chair: Thank you. That brings us very nicely to Lord Udny-Lister, who is going to press you particularly on New Zealand.

Q64 **Lord Udny-Lister:** Yes. Let us change countries and talk about New Zealand. It is a great deal that you have done, but what are the major successes and trade-offs of the agreement? It would be helpful for us if you gave us your top list of achievements.

Lord Grimstone of Boscobel: Yes, certainly, and thank you for the question. It is always nice to be asked to start with achievements. It is not always the way we look at these things, but I welcome that.

Let me just pick out some plums from the pudding. We agreed the consumer protection chapter, and that is the first of its kind in any of our independent trade deals. That enshrines protections for both the UK and New Zealand consumers buying goods and services in each other's markets. We were able to push the New Zealanders, who are very able negotiators on trade agreements, to go beyond their precedent in several key areas, including: the extension of copyright protection; the introduction of artist resale rights provision; and significant changes to their domestic regime that will bring real benefits to the UK. New Zealand has taken commitments on contractual service suppliers for the first time

ever, which will allow UK businesspersons such as lawyers, accountants and financial service providers to deliver service contracts in New Zealand. It includes a ground-breaking environment chapter—we heard a little about this earlier—that reinforces our commitment to the Paris Agreement and our efforts to meet net zero. It liberalises tariffs on the largest ever list of environmental goods in any FTA to date, and I believe that this will encourage trade and investment in low-carbon services and technology.

Madam Chair, it is not often I am allowed to set out our successes in this way, but I welcome the chance of having been able to do that.

Lord Udney-Lister: Could I push you a little bit on trade-offs?

Lord Grimstone of Boscobel: Yes. Again, there is the horrible phrase win-win. It has been widely recognised the agreement does bring significant benefits for the UK and New Zealand. If you can liberalise trade it works for all parties: it brings higher wages, economic growth and benefits for consumers. Of course, we listened to and heard very loudly the concerns of UK farmers in terms of them believing that we had made trade-offs to their detriment, which is why we did secure robust protections, including: the staging of tariff liberalisations for sensitive goods over time; TRQs and product-specific safeguards on the most sensitive goods, such as beef and sheepmeat; as well as, of course, a general bilateral safeguard mechanism for all products. The whole nature of these agreements is that they have trade-offs baked into them. It is not easy to go through them and underline this one and say, "This is a success. This is a failure. This is a trade-off." I encourage people to look at this in the round.

The Chair: I will move to Lord Gold.

Q65 **Lord Gold:** Thank you, Madam Chair. Good morning, Minister. I want to also carry on with New Zealand and talk about services. Could you kindly outline how the agreement benefits the provision of services from the UK into New Zealand, particularly professional and financial services? I know there is some movement on recognition of qualifications, but is there anything more that could be done? For example, I know the Australian agreement contains a financial services regulatory dialogue, but we do not have that with New Zealand. You know from discussions we have had before that I am very keen to push the services side of things, which I think gives us tremendous benefit.

Lord Grimstone of Boscobel: I am completely on the same page as you, and you and I perhaps particularly recognise that service firms are vital to the UK economy. It is always an extraordinary statistic that service firms employ 82% of our workforce and are one of our biggest export success stories. I will paint some pictures and then, if I may, I will turn to Matt to give a bit more detail on services.

What we have been able to do is provide long term certainty and transparency for service suppliers exporting to and operating in New

Zealand. We have guaranteed them access to the New Zealand market and it will allow professional businesses such as architects, law, financial services and shipping to compete on equal terms in New Zealand. As ever, in both the agreements, we have not, as we would not in the UK, given overseas lawyers access to practising domestic law, but other than that, we have given certainty to our legal profession that it can practise there and I have heard from a number of law firms that this will be of benefit to them.

Frankly, our relationships with New Zealand are so strong on financial services, and it is so easy for UK firms and New Zealand firms to operate in each other's markets, it was not thought to be a priority to ask for regulatory dialogue; not because they would not give it to us, but it was not necessary. Australia is a larger market, so perhaps a balance of advantage sat there a bit differently. Matt, do you want to give a few more service examples?

Matthew Davies: Yes. Building on what the Minister has picked up on, there were two objectives in the services negotiations. One was to lock in the access that exists already between the two countries. Both New Zealand and the UK are very open services economies, but by putting into the text provisions and commitments that are at least as good as, and in many cases better than, CPTPP, we locked in national treatments, prohibition of performance requirements for investments—for example, we got New Zealand to raise its investment threshold for screening of investment from £100 million to £200 million—so locking in a stable trading relationship.

In other areas, we have opened up additional market access and secured facilitative arrangements. The mobility commitments that we got New Zealand to take were very important in that respect. It is the first time it has ever taken contractual service supply commitments—commitments that allow UK companies to win a supply of a service contract and then send people over to New Zealand deliver it. It took a range of other mobility commitments. The digital commitments were particularly important, both across mainstream digital provision but also in financial services, including it committing to prohibit unjustified data localisation, so not being allowed to require that you set up a data hub in New Zealand to do business there. That is one of the things that service companies tell us is actually quite prohibitive to investing. There are also other e-commerce provisions.

There is quite a lot across the agreement where we really tried to push the boundaries. Just to build on the Minister's comments on financial services: yes, for all the reasons he outlined, we did not seek that dialogue, but we did seek a very ambitious financial services chapter as well. This has equalled the UK's best precedent in terms of financial services commitments, and it has pushed New Zealand a long way beyond where it has gone before. As well as the data localisation commitments I spoke about, we have secured markets at market access commitments around provision of large insurance and portfolio

management and other things, and, although we do not have a regulatory dialogue, we have built provisions into the financial services chapter for continuing dialogue on new financial instruments, for example, entering the New Zealand and UK markets, and also sustainability and green finance. We think there is an avenue there to continue the conversation with New Zealand on financial markets.

Lord Gold: I am pleased that I have given you the opportunity of saying how well you have done.

Lord Grimstone of Boscobel: It is always a pleasure.

The Chair: We are getting to the end of our session. We have two more questions. If I could go to Lord Lansley and then I have one other question.

Q66 **Lord Lansley:** Thank you very much. We were told previously that there was a legislative requirement arising from the FTA with Australia, I do not know whether that is equally true with New Zealand, and that related to public procurement; is that the only legislative requirement? There is a general procurement Bill anticipated; will it be included in that? Is there an intention to create a delegated power for the future in relation to future FTAs, or will they all be treated separately?

Lord Grimstone of Boscobel: Thank you for that. It would not be appropriate for me to pre-empt the Queen's Speech in this area, obviously, but there will be a need for primary legislation on the procurement side in relation to both the Australia and the New Zealand FTAs. It will be quite a tightly drawn requirement to do that, and, if we want to ratify this agreement, which we surely will do at some point provided it gets through the CRaG process successfully, there will need to be primary legislation to do that. I do not think it would be appropriate for me to comment on the exact vehicle through which that will be done—not this week, anyway.

Q67 **The Chair:** Just to wind up, can I go back, in a sense, to the generality of trade? You know very well that the committee has asked that there is a strategy, that we know what it is you are trying to achieve by trade. In answer to Lord Oates's question, you referred to "our underlying objectives", which sort of suggests that there is an underlying strategy that you are then using on the trade agreements. Now, at the moment you are having discussions with America that we started with, where Biden has set out his quite clear strategy for trade, and Ambassador Tai has set out what they are trying to achieve, which strengthens what we are asking. We ought to know in the round what you are trying to achieve. I just wonder whether those discussions are coming closer to fruition, because it would help us measure your, I am sure, very good negotiating if we knew what it was in the whole you are trying to achieve. Is there some prospect of seeing that sort of strategy?

Lord Grimstone of Boscobel: For those who do not sleep well at night, you can find something about this by reading the DIT's outcome delivery plan—the ODP—which sets out our general objectives in this area.

Perhaps to pre-empt any excitement on behalf of the committee, I would not say that it is necessarily the most thrilling or the most insightful read, but the strategy actually can be put quite simply: it is to encourage more trade, to encourage more good trade, and to encourage many of the matters that we have spoken about today. As the Secretary of State noted in a speech to the CPS, we are not great believers in, I think she described it as, "Weighty strategic tomes gathering dust". This strategy needs to be agile, and it needs to change with time, but the thrust of the strategy is more trade, more trade agreements and more progress in this area. The nearest we have to it is in the outcome delivery plan. If any committee member would like me to send them the internet link so they can access the plan, of course I would be delighted to do that.

The Chair: I hope we will be able to have a debate sometime in the Chamber on this but it may be that there will be people thinking of it within the context of green trade or what the Americans called worker-centric trade or human rights-aware trade, which might be a useful way of describing, I hope, what you are seeking to achieve—and not just more trade at any price. That is a personal view; we have not come to a view on it on the committee.

Lord Grimstone of Boscobel: I could not have put it better myself. All those aspects are absolutely part of our trade strategy.

The Chair: I thank you and your colleagues for your time today, Minister, and we welcome how very open you always are with us. Sometimes we would like you to give a few more commitments than we can get out of you, but short of that, I thank you and your colleagues very much for your time.

Lord Grimstone of Boscobel: I thank you as ever for the courtesy and for the incisiveness of the questions which the committee has asked. I have to spend a lot of time revising for these committees because I know it is never an easy appearance when I appear before you but thank you again for inviting me.

The Chair: Thank you. That ends the public hearing today.